

Senate File 440 - Introduced

SENATE FILE 440
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO SSB 1021)

A BILL FOR

1 An Act relating to the powers and duties of the college
2 student aid commission in administering certain federal
3 postsecondary financial aid initiatives.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 261.36, Code 2011, is amended to read as
2 follows:

3 **261.36 Powers and duties of commission.**

4 1. The commission shall have necessary powers to carry out
5 its purposes and duties under this division, including but not
6 limited to the power to do the following:

7 ~~1.~~ a. Sue and be sued in its own name.

8 ~~2.~~ b. Incur and discharge debts including the payment of
9 any defaulted loan obligations which have been guaranteed by
10 the commission.

11 ~~3.~~ c. Make and execute agreements, contracts, and other
12 instruments with any public or private person or agency
13 including the United States secretary of education. The
14 commission shall also have the power to enter into any
15 agreements with the United States secretary of education or
16 other federal agency as are necessary to provide programs and
17 services administered pursuant to this chapter to current and
18 future Iowa postsecondary students, to the students' school
19 counselors, parents, and guardians, and to the elementary,
20 secondary, and postsecondary institutions the students attend.

21 ~~4.~~ d. Guarantee loans made by eligible lenders to eligible
22 borrowers who are, or whose children are, enrolled or will
23 be enrolled at eligible institutions as at least half-time
24 students as defined by the commission.

25 ~~5.~~ e. Approve educational institutions as eligible
26 institutions ~~upon their meeting~~ if and when the institutions
27 meet the requirements established by the commission.

28 ~~6.~~ f. Approve financial or credit institutions, insurance
29 companies, or other lenders as eligible lenders ~~upon~~
30 ~~their meeting~~ if and when such entities meet the standards
31 established by the commission for making guaranteed loans.

32 ~~7.~~ g. Accept appropriations, gifts, grants, loans or other
33 aid from public or private persons or agencies including the
34 United States secretary of education.

35 ~~8.~~ h. Implement various means of encouraging maximum lender

1 participation in the Iowa guaranteed loan program.

2 i. Administer the college access initiative authorized by 20
3 U.S.C. § 1092e, or its successor program.

4 j. Administer the gaining early awareness and readiness for
5 undergraduate programs initiative authorized by 20 U.S.C. §
6 1070a-21 through 1070a-28, or its successor program.

7 2. The duties of the commission under this division shall
8 be as follows:

9 a. To review the Iowa guaranteed loan program.

10 b. To review and make disposition of all applications for
11 the guarantee of student loans.

12 c. To collect an insurance premium of not more than the
13 amount authorized by the Higher Education Act of 1965. The
14 premium shall be collected by the lender upon the disbursement
15 of the loan and shall be remitted promptly to the commission.

16 d. To enter into any agreements with the United States
17 secretary of education necessary for purposes of receiving full
18 benefit of the state program incentives offered pursuant to the
19 Higher Education Act of 1965.

20 e. To adopt rules pursuant to chapter 17A to implement the
21 provisions of this division, including establishing standards
22 for educational institutions, lenders, and individuals to
23 become eligible institutions, eligible lenders, and eligible
24 borrowers. Notwithstanding any contrary provisions in chapter
25 537, the rules and standards established shall be consistent
26 with the requirements provided in the Higher Education Act of
27 1965. The commission shall expend all property and moneys
28 belonging to the agency operating account to execute the
29 commission's powers and duties under this chapter.

30 f. To reimburse eligible lenders for the amount authorized
31 by the Higher Education Act of 1965 on defaulted loans
32 guaranteed by the commission upon receipt of written notice
33 of the default accompanied by evidence that the lender has
34 exercised the required degree of diligence in efforts to
35 collect the loan.

1 g. To establish an effective system for the collection of
2 delinquent loans, including the adoption of an agreement with
3 the department of administrative services to set off against
4 a defaulter's income tax refund or rebate the amount that is
5 due because of a default on a guaranteed student or parental
6 loan made under this division. The commission shall adopt
7 rules under chapter 17A necessary to assist the department of
8 administrative services in the implementation of the student
9 loan setoff program as established under section 8A.504.
10 The commission shall apply administrative wage garnishment
11 procedures authorized under the Higher Education Act of 1965
12 for all delinquent loans, including loans authorized under
13 section 261.38, when a defaulter who is financially capable of
14 paying fails to voluntarily enter into a reasonable payment
15 agreement. In no case shall the commission garnish more than
16 the amount authorized by federal law for all loans being
17 collected by the commission, including those authorized under
18 section 261.38.

19 h. To develop and provide information, forms, publications,
20 internet-based resources, and other educational services to
21 eligible lenders, postsecondary institutions, elementary
22 and secondary schools, students, parents, education loan
23 borrowers, and the general public. The commission, as it deems
24 necessary, shall provide applicants with information about the
25 past default rates of borrowers, enrollment, and placement
26 statistics by postsecondary institutions.

27 i. To develop all forms necessary to the proper
28 administration of the guaranteed student loan program.

29 j. To report annually to the governor and the general
30 assembly on the status of the guaranteed student loan program.

31 k. To implement all possible assistance to eligible
32 lenders for the purpose of easing the workload entailed in
33 participation in the guaranteed student loan program.

34 l. To develop and implement programs and other initiatives
35 or services necessary to perform duties that include but

1 are not limited to postsecondary student aid outreach,
2 financial literacy education, career planning, postsecondary
3 student aid program compliance assistance and training,
4 postsecondary student aid program monitoring and compliance
5 review of eligible lenders and eligible institutions, default
6 prevention, default aversion, and defaulted federal student
7 loan collection.

8 m. To conduct college access initiative activities as
9 required by 20 U.S.C. § 1092e, including but not limited to
10 providing publications, programs, training, and internet-based
11 resources for the public relating to college planning, career
12 preparation, and paying for college.

13 n. To develop and implement all policies and procedures
14 necessary to the proper administration of the guaranteed
15 student loan program and any other program or activity related
16 to postsecondary financial aid that the commission administers
17 or conducts.

18 Sec. 2. Section 261.38, subsections 1 and 2, Code 2011, are
19 amended to read as follows:

20 1. The commission shall establish a loan reserve account and
21 an agency operating account as authorized by the ~~federal~~ Higher
22 Education Act of 1965. The commission shall credit to these
23 accounts all moneys provided for the ~~state student~~ guaranteed
24 loan program by the United States, the state of Iowa, or any of
25 their agencies, departments, or instrumentalities, as well as
26 any funds accruing to the program which are not required for
27 current administrative expenses. The commission may expend
28 moneys in the loan reserve and agency operating accounts as
29 authorized by the ~~federal~~ Higher Education Act of 1965. The
30 commission shall expend all property and moneys belonging to
31 the agency operating account to execute the commission's powers
32 and duties under this chapter.

33 2. The payment of any funds for the default on a guaranteed
34 student loan shall be solely from the loan reserve ~~and agency~~
35 ~~operating accounts~~ account. The general assembly shall not be

1 obligated to appropriate any moneys to pay for any defaults or
2 to appropriate any moneys to be credited to the loan reserve
3 account. The commission shall not give or lend the credit of
4 the state of Iowa.

5 Sec. 3. Section 261.39, unnumbered paragraph 1, Code 2011,
6 is amended by striking the unnumbered paragraph.

7 Sec. 4. Section 261.41, Code 2011, is amended to read as
8 follows:

9 **261.41 Account dissolved — balance to general fund.**

10 1. The loan program and the loan reserve account established
11 by this division shall not be dissolved until ~~all~~ either of the
12 following applies:

13 a. All guaranteed loans have been repaid by the borrower or,
14 if in default, by the commission.

15 b. The commission is directed by the United States secretary
16 of education to dispose of the program and account.

17 2. Upon dissolution of the loan program, all the property
18 and moneys ~~of the program and in~~ belonging to the loan reserve
19 account ~~not owed to the federal government shall be transferred~~
20 ~~to the state general fund~~ are the property of the United States
21 secretary of education under 20 U.S.C. § 1072(a)(3).

22 Sec. 5. REPEAL. Section 261.37, Code 2011, is repealed.

23 EXPLANATION

24 This bill amends the Code division that provides for the
25 guaranteed loan program administered by the college student
26 aid commission. The bill modifies the commission's powers
27 and duties in response to recent changes made in the federal
28 government's student financial aid initiatives.

29 The bill authorizes the commission to enter into any
30 agreements with the United States secretary of education or
31 other federal agency that are necessary to provide education
32 programs and services to current and future Iowa postsecondary
33 students and their counselors, parents and guardians, and to
34 elementary, secondary, and postsecondary institutions. The
35 bill also specifically authorizes the commission to administer

1 the college access initiative and the gaining early awareness
2 and readiness for undergraduate programs authorized under
3 federal law.

4 The bill requires the commission to develop and provide
5 information, materials, and services to eligible lenders,
6 postsecondary institutions, elementary and secondary schools,
7 students, parents, education loan borrowers, and the general
8 public; to develop and implement programs, initiatives and
9 services relating to postsecondary student aid outreach,
10 financial literacy education, career planning, student aid
11 program compliance assistance and training, program monitoring
12 and compliance review, default prevention, default aversion,
13 and defaulted federal student loan collection; and to conduct
14 college access initiative activities as required under federal
15 law.

16 The bill modifies and transfers the language of Code section
17 261.37, relating to the duties of the commission to Code
18 section 261.36, relating to the powers of the commission. The
19 bill specifies that the payment of funds for the default on a
20 guaranteed student loan shall be solely from the commission's
21 loan reserve account and eliminates the option of paying the
22 funds from the agency operating account.

23 The bill requires the commission to expend property and
24 moneys belonging to the agency operating account to execute the
25 commission's powers and duties.

26 Currently, the student loan program and the loan reserve
27 account can only be dissolved if all guaranteed loans have been
28 repaid by the borrower or, if in default, by the commission.
29 The bill adds that the program and the account may also be
30 dissolved if the United States secretary of education directs
31 the commission to dispose of the program and account. Upon
32 dissolution, the bill states that the property and moneys
33 belonging to the loan reserve account are the property of the
34 United States secretary of education.